ADMINISTRATION AND FINANCE COMMITTEE

DATE: August 9, 2005

CALLED TO ORDER: 5:03 p.m.

ADJOURNED: 7:30 p.m.

ATTENDANCE

Attending Members
Jackie Nytes, Acting Chair
Vernon Brown
Lance Langsford
Lynn McWhirter
Mary Moriarty Adams
Lincoln Plowman

Absent Members
Joanne Sanders

AGENDA

 $\underline{PROPOSAL\ NO.\ 325,\ 2005}$ - appoints Bruce Melchert to the City Market Corporation board of directors

"Do Pass" Vote: 6-0

<u>PROPOSAL NO. 326, 2005</u> - appoints Lynn H. Molzan to the City Market Corporation board of directors

"Do Pass" Vote: 6-0

BUDGET HEARING

Overview- City Controller
Indianapolis Marion County Public Improvement Bond Bank
Office of the Mayor
Office of Internal Audit
Office of Corporation Counsel (City Legal)
Office of Controller (Finance & Purchasing)

ADMINISTRATION AND FINANCE COMMITTEE

The Administration and Finance Committee of the City-County Council met on Tuesday, August 9, 2005. Acting Chair Jackie Nytes called the meeting to order at 5:03 p.m. with the following members present: Vernon Brown, Lance Langsford, Lynn McWhirter, Mary Moriarty Adams, and Lincoln Plowman. Absent was Joanne Sanders.

<u>PROPOSAL NO. 325, 2005</u> - appoints Bruce Melchert to the City Market Corporation board of directors

Mr. Melchert gave an update on the City Market. He said the board has put together a strategy for the City Market that consists of three phases: Phase one is focused on restoring the historic market house, phase two is repopulating the market with a diverse mix of retail and prepared foods, and phase three is redeveloping the east wing of the Market to create a broader food experience, which will entail food and learning. Mr. Melchert said the ultimate goal of the City Market is to become self—sufficient.

Councillor McWhirterer asked if the Market is anticipating evening hours. Mr. Melchert replied in the negative and said the Market cannot afford to keep the stands open other than for special activities.

<u>PROPOSAL NO. 326, 2005</u> - appoints Lynn H. Molzan to the City Market Corporation board of directors

Mr. Molzan said he is an architect and the chairman of his firm. He said he is very familiar with part of the premiere public market in the country (Pike Place Market) and has loved city markets for years. He said he has always wanted to be involved with the one here in Indianapolis and is pleased to have the opportunity to do so.

Acting Chair Ntyes asked if Mr. Molzan is affiliated with the Old Northside Foundation. Mr. Molzan replied in the affirmative and said he is currently the president and last year was president of the Old Northside Neighborhood Association. Acting Chair Nytes said this is important because one of the requirements for board members on the City Market board of directors is that a certain number of members have some affiliation with other foundations and not private organizations.

Councillor Plowman moved, seconded by Councillor Moriarty Adams, to send Proposal Nos. 325 and 326, 2005 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

BUDGET HEARING

Overview- City Controller

Robert Clifford, City Controller, manages the Office of Finance and Management (OFM) under Senate Bill 307 and proposes the budget to the consolidated City-

County Council. He said the 2006 budget overview will be the Consolidated City and County, the City part of the budget, and the County part of the budget. He said the three items will be discussed separately because there are still City and County funds. He went on to give the presentation on the budget overview (Exhibit A, on file in the Council office). The key points are as follows:

- Some of the goals of the consolidated budget are to avoid property tax increases and to budget for all expenses.
- 2005 budget shortfalls include the County General Fund levy being \$5 million lower than anticipated, and the City is still faced with raising pension costs of the 1937 and 1953 pension plans.
- County agencies requested \$33 million more than the amount appropriated in 2005, due to Sheriff's fuel and vehicle repairs. Of the \$33 million, \$12.5 million is for the Criminal Justice Planning Council's (CJPC) recommendation to alleviate jail overcrowding.
- OFM proposed budget shows reductions in administrative spending for both the City and County, public safety spending reductions for both IFD and IPD, and reductions in County administrative offices and parks.
- OFM proposed budget funds \$12.2 million of the \$12.5 million requested for the tier one recommendations by the CJPC.

Mr. Clifford stated that in the request, the Marion County Prosecutor and the Public Defender suggested increases for their lawyers that were different from one another. He said the OFM went along with the lower raises and that is the difference between the \$12.2 million and \$12.5 million requested.

Councillor McWhirter asked if the \$12.2 million is what the OFM is anticipating in revenue and if it has been certified. Mr. Clifford said the County Option Income Tax (COIT) has not been certified. He said OFM worked with the County Auditor's consultant, Jim Steele, to project revenues for COIT allocations for the entire county. He said the projections show COIT increasing by \$8.5 million over last year's base. Councillor McWhirter asked what the anticipation is if the COIT increase is over or under the \$12.2 million. Mr. Clifford said if the COIT increase is over, the OFM would allocate the COIT between the County and City funds based on historical allocations. He said the county is receiving 43% and the city receives 56% of the allocations. Councillor McWhirter said it was her understanding when the COIT increase was passed that any of that increase would go to criminal justice. Mr. Clifford said more COIT has been allocated to criminal justice than received for the 0.1% increase.

Councillor Moriarty Adams asked the differences proposed by the Prosecutor and the Public Defender. Mr. Clifford said he does not have the exact numbers but believes the difference is \$200,000 in total. Councillor Moriarty Adams asked what the difference is per salary. Mr. Clifford said he does not recall and will provide that information.

Councillor McWhirter asked if any of the fee increases have been approved by the Council. Mr. Clifford replied in the negative.

Councillor Brown asked what happens if the fee increases are not approved. Mr. Clifford said there are ways to get through reductions, such as underspending and budget reductions.

Bart Brown, Chief Financial Officer (CFO) for the Council, asked if the fee increases are approved if the ordinances will be effective immediately. Kobi Wright, Corporation Counsel, replied in the affirmative and said the Council can draft the ordinance that is effective upon signature of the Mayor.

• Character 01 increases are due to bargaining units and an increase in health care costs for City and County employees.

Councillor Plowman asked if the 2006 budget for public safety takes into account the layoff of 48 IPD officers. Mr. Clifford replied in the affirmative. Councillor Plowman asked when the first payment on the borrowed \$100 million for pension relief will begin. Mr. Clifford said \$5.3 million will go to the fund balance in 2006 to start the offset of cost of the pension obligation fund. Councillor Plowman asked how much will be paid toward the bill in 2006. Mr. Clifford said about \$3 million will pay for interest for debt services, and the revenue for the pension fund comes from various funds. Councillor Plowman asked if any of the revenues are going directly towards the bond or towards a general fund to pay off pension. Jeff Seidenstein, Budget Manger for the Controller's Office, said next year OFM is budgeting to pay interest on the bond and the extra COIT revenue is going to the fund balance for the pension fund that will be used for future payments.

Councillor Moriarty Adams asked if Noble of Indiana will be funded. Mr. Clifford replied in the affirmative. Councillor Moriarty Adams asked what the amount is that Noble of Indiana will be receiving. Mr. Clifford said \$1 million.

Councillor Brown asked if the \$28 million difference in public safety and criminal justice is an increase in the Sheriff's Department and the County courts. Mr. Clifford replied in the affirmative.

[Clerk's note: The figures previously discussed are for the 2006 Consolidated City (City and County)]

- Public safety for the city is decreasing 2.9 %
- IPD and IFD are both seeing reductions in their budget. IFD is reducing sworn officers by 44 and IPD will be going to a staffing level of 1,232 with 78 through attrition, plus 48 layoffs without the law enforcement consolidation.
- Public safety and criminal justice for the County is increasing 19.8 %.

Acting Chair Ntyes asked if the figures discussed include the proposals from Family Social Services Administration (FSSA). Mr. Clifford replied in the negative and said he cannot present their budget because OFM does not know how FSSA is spending its money.

- The City budget shows a \$3.7 million reduction in Character 01, this includes the 12% increase in health care benefits and worker's compensation.
- The proposed budget for Character 02 shows an increase of \$1.1 million, due to a fuel budget increase of \$1.7 million.
- The City budget shows a total decrease of \$8.6 million.

Acting Chair Ntyes clarified that in the presentation where it reads Consolidated City of Indianapolis overall proposed budget, it is actually referring to the City budget.

Councillor Brown asked if the increase of fuel costs will be taken out of fund balances. Mr. Clifford replied in the affirmative and said the City is trying to cut back on the number of vehicles allocated.

Mr. Seidenstein clarified that the City is hoping to absorb most of the fuel costs with their existing budget by transferring funds within other Characters. He said it will be a much harder task for the County, as it is not in the position to pay its fuel bill.

Mr. Clifford said the 2005 County shortfalls include: the City will not be reimbursed from the County for 2005 fuel costs and unfunded medical care costs for inmates.

• Fund balances are decreasing with the exception of the County General.

Acting Chair Ntyes asked if any goals have been established for fund balances. Mr. Clifford said the City and County should be at 20% fund balances. He said the goal

is at least 10%. Acting Chair Ntyes asked if the County General Fund balance includes the anticipated added appropriation for fuel. Mr. Seidenstein replied in the affirmative.

Councillor McWhirter asked how much would be saved with the anticipated 48 IPD officers layoff. Mr. Clifford said approximately \$4.4 million. Councillor McWhirter asked when the COIT increase will be certified. Mr. Seidenstein said it is expected to be certified some time this month. Councillor McWhirter asked if the Council will know before the 2006 budget is passed what the certified COIT amount is. Mr. Clifford replied in the affirmative.

Mr. Clifford said part of the 2006 budget is borrowing against the 2007 COIT. He said the budget presentation anticipates \$8.5 million in the negative to be paid with the COIT anticipation notes.

Councillor McWhirter asked how much is being borrowed from the COIT. Mr. Clifford said the plan is to borrow against the last 0.2% that will come in 2007 and 2008. Councillor McWhirter said the money will be paid back in 2008/2009. Mr. Clifford said he does not have a definite answer at this time. Councillor McWhirter asked if the borrowing will be ongoing. Mr. Clifford said it is hopeful that the borrowing is needed only one time.

Councillor Plowman asked if the increase in COIT could assist in preventing layoffs of IPD officers. Mr. Clifford said that long-term they would not be able to sustain that level of funding for IPD and the pension obligation funds pay-back.

Acting Chair Ntyes asked if the COIT increase is not used as proposed if the fund balance numbers would look even worse. Mr. Clifford replied in the affirmative and said the County balances would look worse.

Mr. Brown asked if the \$8.5 million will go through the townships and City first. Mr. Clifford replied in the affirmative, and the Council will split 86% of the \$8.5 million.

[Clerk's note: Indianapolis Marion County Public Improvement Bond Bank will present their budget at the August 16, 2005 committee meeting.]

Office of the Mayor

Jennifer Simmons, Chief of Staff for the Mayor's Office, gave a brief overview of the Office of the Mayor's budget (Exhibit B, attached). The key points are as follows:

• Most of the savings in Character 01, (Personal Services), (10.6%) are from not filling the Director of Communications position.

- In Character 03, (Other Services and Charges), there is a shift of building security to the Sheriff's Department, approximately \$22, 382. The Mayor's office also cut access to cell phones and pagers and reduction in travel.
- Total budget reduction is 9.4% (\$107,591)

Councillor Langsford asked how success is measured on the Mayor's Action Center (MAC) and constituent service. Ms. Simmons said the MAC has a number of monitoring systems that track how many calls are taken in an hour, how fast the response time is, and the ability to compare reports of different time periods. She said the constituent service in their office is connected by the Citizens Relation Management (CRM) system which, in turn, is connected to the MAC.

Acting Chair Ntyes asked if the MAC's budget is in the Mayor's budget. Ms. Simmons replied in the negative.

Councillor McWhirter asked how much of the Mayor's budget is going toward charter schools. Ms. Simmons said the charter schools are funded from the Department of Administration, Administrative Services budget. Councillor McWhirter asked if the \$338,000 savings in Character 01 is being transferred to other budgets. Ms. Simmons said the \$100,000 is the savings in Character 01. The \$338,000 is the result of the possibility of eliminating other positions. Councillor McWhirter asked why, in Character 01, line item 100, (Bi-weekly salaries); there is a \$20,000 difference in what was budgeted and what will be spent. Kim Diller, CFO for Office of Corporation Counsel, said this is due to the Director of Communications position being vacant all year. Councillor McWhirter asked why there is a proposed increase in line item 110, (Part time & temporary salaries). Ms. Diller said a part time employee working on diversity and other related activities has been added to the budget. Councillor McWhirter asked why there is a dramatic decrease in Character 03, line item 309, (Technical Services). Mr. Seidenstein said this is due to the discontinuing of charge backs for building security. All building security will be shifted to the Sheriff's Department. He said the Council will see a decrease in line item 309, Technical Services in all budgets and an increase in the Sheriff's private security contract.

Ms. Simmons highlighted that the 9.4% total reduction does not include the \$22,382 in building security because it is a shift.

Councillor McWhirter asked for clarification on the proposed increase in line item 335, (Information Technology). Mr. Seidenstein said this is due to spreading the cost through the County and City agencies instead of keeping most of the cost in the Auditor's budget. Mr. Clifford clarified that with the Information Services Technology there are direct costs to the number of users and the level of complexity to information systems.

Office of Internal Audit

Michael Humphreys, Administrator, said the office's main objective is to audit City operations and some County offices in 2006. He said the overall 2006 proposed budget has decreased by 2.2% (\$15,210). Most of the line increase items are in Character 01 due to health insurance and pension plans. He said comparative analysis in the 2005 and 2006 budget show an increase of 1.1% in Character 01, no changes in Character 02, (Material and Supplies); Character 04, (Properties and Equipment); and Character 05, (Internal Charges). He said there were reductions in Character 03, totaling \$6,728. He said the office's staffing level will remain at 9 employees.

Councillor Langsford asked what the process is in determining what departments are audited. Mr. Humphreys said the City has software that prioritizes the departments mathematically by risk values and that is how audits on departments are determined.

Office of Corporation Counsel (City Legal)

Mr. Wright and Ms. Diller presented the proposed 2006 Office of Corporation Counsel budget (Exhibit C, on file in the Council office). The key points are as follows:

• Total internal charges are increasing by 2.2% due to internal charges decreasing. Therefore, the operating budget without internal charges is decreasing by 3.3%.

Acting Chair Ntyes asked if chargebacks are made to the City agencies only. Ms. Diller said the office, in the past, has only charged back City agencies but in 2006 they will be charging back to County agencies also.

Mr. Brown asked how these chargebacks are different from the security charge backs. Mr. Clifford said the Sheriff's security charge is a fixed charge for building security. The OCC chargebacks are user fees.

Councillor McWhirter stated that she is unsure how agencies could control their charge back cost when they have no control over who sues them. Mr. Wright said that some ways agencies can control their cost is by the use of the counsel section of the office.

Councillor Moriarty Adams asked if the chargebacks to the County is a new policy. Mr. Wright replied in the affirmative and said the City has always had chargebacks.

• The only increase in Character 01 is worker's compensation at \$3,989.

• The total net decrease in Character 01, compared to the original 2005 budget, is \$224,331.

Councillor Moriarty Adams asked if another agency will pick up the responsibility of the Nuisance Abatement Coordinator that is no longer apart of the OCC. Mr. Wright said those duties will be picked up by someone in the Department of Metropolitan Development.

Councillor McWhirter asked if the City and County are self-funded. Mr. Seidenstein said the city has self insurance and the County will be self-funded in 2006. Councillor McWhirter asked if there is a balance in the worker's compensation budget does that money remain in that budget or is it shifted to a general fund. Mr. Seidenstien replied in the negative and said the office has a separate fund, (Internal Service Fund) that maintains the balance of worker's compensation. Councillor McWhirter asked if the money in the Internal Service Fund is only used for worker's compensation. Mr. Seidenstein replied in the affirmative.

- There are no increases in Character 02 and the net decrease compared to original is \$7,225.
- In Character 03, an effort to decrease funds has already been made this year. The net decrease compared to the original 2005 budget is \$344,854; the revised 2005 budget net decrease is \$77,764.

Acting Chair Nytes asked if the charges for outside counsel are reflected in the agencies budget or the OCC budget. Mr. Wright said it depends and is usually a joint decision with the department head. Ms. Diller said typically it does come out of the OCC budget. She said in 2003 all outside counsel budgets from City agencies were brought into the OCC budget.

- In Character 04 the budget will be cut in the amount of \$10,500.
- The OCC collects and enforces the parking code. The OCC is proposing a raise in the base parking fine from \$15 to \$20 giving an estimate of \$300,000 additional revenue. They also will propose an increase in a one time late fee of \$5 to \$20, giving an estimate of \$200,000 additional revenue.

Councillor Brown asked what the maximum increase is on parking fees. Mr. Wright said most of the violations of the City code can have fees up to \$2,500. Councillor Brown asked if OCC collects 100% of the parking ticket fines. Mr.Wright said they are in charge of collecting but only collect about 50% of those fines.

Office of Controller (Finance & Purchasing)

Mr. Clifford discussed the Finance and Management budget (Exhibit 1D, attached). He said the proposed budget is going up slightly due to an increase in personal services to account for the additional budgetary responsibilities and the increase of health care benefits. He also stated that the City is proposing to recruit two people who were formerly with the Auditor's office.

Councillor McWhirter asked if the transfer of employees has been made between the Auditor's and Controller's office. Mr. Clifford said the transition between the Auditor's and Controller's office has not been finalized.

Councillor Langsford asked when they anticipate the transition to be complete. Mr. Clifford said by the end of August 2005.

Acting Chair Nytes asked if the County Comprehensive Annual Financial Report (CAFR) will now be handled by the Internal Audit agency. Mr. Clifford said the County CAFR is budgeted in the Auditor's budget, but it is also shown as a payback to the City.

Councillor Langsford asked if the payroll function for the City and County is being conducted by the County Auditor. Mr. Clifford replied in the affirmative and said the Auditor has been issuing all payroll checks since July 1, 2005 and making payments for the City and County.

Mr. Clifford discussed the Purchasing budget (Exhibit 2D, attached). He indicated a change that needs to be made in Personal Services; the difference should be \$29,668 instead of \$52,248. He said the decrease has been made due to the Purchasing Department reducing their number of employees by two.

Councillor Moriarty Adams asked if all agencies are cooperating with using City Purchasing. Mr. Clifford replied in the affirmative and said the courts are purchasing with the City at a low rate at this time.

Deborah Green, Purchasing, said they are concentrating on global contracts that are utilized by most agencies. She said they have not been able to change existing contracts and are honoring those contracts. She said agencies that do not have contracts utilize catalog pricing, and most vendors give government agencies substantial discounts.

Councillor Moriarty Adams asked if agencies accept lower quotes on items, is the quality of the product good? Ms. Green said the department has not received any complaints in terms of the vendors that have been selected. Councillor Moriarty Adams asked how differences are resolved when they arise. Ms. Green said the

department really focuses on service; therefore, when an agency has a problem the department is there to assist the agency in need.

CONCLUSION

With no further business pending, and upon motion duly made, the Administration and Finance Committee of the City-County Council was adjourned at 7:30 p.m.

Respectfully submitted,

Joanne Sanders, Chair Administration and Finance Committee

JS/as